OVERSTRAND MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 39, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Adv. J F Koekemoer
Municipal Manager

Date

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OVERSTRAND MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

	Note	2006 R	2005 R
NET ASSETS AND LIABILITIES			
Net assets		**276,555,995**	**251,963,406**
Housing Development Fund	**1**	3,210,167	9,857,444
Capital replacement reserve		38,501,673	13,553,751
Capitalisation reserve		101,749,081	110,465,115
Government grant reserve		31,839,296	27,427,213
Donations and public contribution reserves		2,896,133	927,572
Self-Insurance reserve		80,980	15,985
Accumulated Surplus/(Deficit)		98,278,664	89,716,325
Non-current liabilities		**72,104,484**	**89,894,580**
Long-term liabilities	**2**	40,542,084	78,744,580
Non-current provisions	**3**	31,562,400	11,150,000
Current liabilities		**102,293,576**	**80,925,825**
Consumer deposits	**4**	7,730,722	6,642,351
Creditors	**6**	25,776,186	48,625,966
Unspent conditional grants and receipts	**7**	23,739,502	16,230,479
Bank overdraft	**17**	0	2,881,693
Current portion of long-term liabilities	**2**	45,047,165	6,545,336
Total Net Assets and Liabilities		**450,954,054**	**422,783,811**
ASSETS			
Non-current assets		**290,747,701**	**303,868,684**
Property, plant and equipment	**9**	247,378,327	228,781,182
Investment Property	**10**	33,645,323	26,170,269
Investments	**11**	7,962,693	40,681,511
Long-term receivables	**12**	1,761,358	8,235,722
Current assets		**160,206,353**	**118,915,127**
Inventory	**13**	1,468,993	1,305,512
Consumer debtors	**14**	20,171,612	19,459,884
Other debtors	**15**	6,886,443	7,176,139
Current portion of long-term debtors	**12**	807,891	1,072,279
VAT	**8**	22,991	41,691
Call investment deposits	**16**	109,455,591	88,763,009
Bank balances and cash	**17**	21,392,831	1,096,612
Total Assets		**450,954,054**	**422,783,811**

OVERSTRAND MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Actual 2006 R	2005 R
REVENUE			
Property rates	**18**	62,414,355	58,922,939
Property rates - penalties imposed and collection charges		483,309	414,910
Service charges	**19**	152,708,429	138,650,517
Rental of facilities and equipment		5,015,792	4,725,138
Interest earned - external investments		8,030,838	7,430,531
Interest earned - outstanding debtors		1,270,799	2,278,202
Dividends received		3,504	4,535
Fines		2,879,543	3,219,126
Licences and permits		1,841,462	1,559,011
Income for agency services		12,457,873	7,586,606
Government grants and subsidies	**20**	20,699,417	24,623,530
Other income	**21**	8,045,638	6,841,566
Public contributions, donated and contributed property, plant and equipment		3,538,641	887,942
Gains on disposal of property, plant and equipment		640,609	9,237,454
Total Revenue		**280,030,208**	**266,382,007**
EXPENDITURE			
Employee related costs	**22**	80,469,030	74,030,113
Remuneration of Councillors	**25**	2,273,433	2,114,282
Bad debts		3,500,000	6,213,470
Collection costs		284,892	506,614
Depreciation		19,577,261	17,289,239
Repairs and maintenance		19,878,301	22,098,646
Interest paid	**23**	5,646,720	6,738,942
Bulk purchases	**24**	34,106,609	33,392,170
Contracted services		4,993,359	4,663,118
Grants and subsidies paid	**26**	6,902,837	7,334,259
General expenses		73,658,214	50,293,651
Total Expenditure		**251,290,656**	**224,674,503**
SURPLUS/(DEFICIT) FOR THE YEAR		**28,739,552**	**41,707,504**

Refer to Appendix E(1) for the comparison with the approved budget

OVERSTRAND MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006

	Housing Development Fund R	Capital Replacement Reserve R	Capitalisation Reserve R	Government Grant Reserve R	Donations and Public Contribution Reserve R	Self Insurance Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
2005									
Balance at 1 July 2004	9,536,137	6,058,061	119,310,293	25,971,118	46,861	14,820	0	51,389,548	212,326,838
Correction of error (Note 28)								-747,959	-747,959
Change in accounting policy (Note 27)								-1,322,977	-1,322,977
Restated balance	**9,536,137**	**6,058,061**	**119,310,293**	**25,971,118**	**46,861**	**14,820**	**0**	**49,318,612**	**210,255,902**
Net surplus/(deficit) for the year								41,707,504	41,707,504
Transfer to CRR		22,657,454						-22,657,454	0
Property, plant and equipment purchased		-15,161,764						15,161,764	0
Capital grants used to purchase PPE				3,255,204				-3,255,204	0
Donated/contributed PPE					887,942			-887,942	0
Contribution to Insurance Reserve						18,368		-18,368	0
Insurance claims processed						-17,203		17,203	0
Transfer to Housing Development Fund	321,307							-321,307	0
Asset disposals									0
Offsetting of depreciation		0	-8,845,178	-1,799,109	-7,231	0		10,651,518	0
Balance at 30 June 2005	**9,857,444**	**13,553,751**	**110,465,115**	**27,427,213**	**927,572**	**15,985**	**0**	**89,716,325**	**251,963,406**
2006									
Correction of error (Note 28)								-4,146,963	-4,146,963
Change in accounting policy (Note 27)									0
Restated balance	9,857,444	13,553,751	110,465,115	27,427,213	927,572	15,985	0	85,569,362	247,816,443
Net surplus/(deficit) for the year								28,739,552	28,739,552
Transfer to CRR		37,790,689						-37,790,689	0
Property, plant and equipment purchased		-12,842,767						12,842,767	0
Capital grants used to purchase PPE				6,440,886				-6,440,886	0
Donated/contributed PPE					2,020,189			-2,020,189	0
Contribution to Insurance Reserve						192,953		-192,953	0
Insurance claims processed						-127,959		127,959	0
Transfer to Housing Development Fund	-6,647,277							6,647,277	0
Asset disposals									0
Offsetting of depreciation			-8,716,035	-2,028,803	-51,628			10,796,465	0
Balance at 30 June 2006	**3,210,167**	**38,501,673**	**101,749,081**	**31,839,296**	**2,896,133**	**80,980**	**0**	**98,278,664**	**276,555,995**

OVERSTRAND MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		300,154,019	273,197,691
Cash paid to suppliers and employees		263,723,448	218,627,251
Cash generated from/(utilised in) operations	**29**	36,430,571	54,570,441
Dividends received		3,504	4,535
Interest received		9,301,636	9,708,732
Interest paid		(5,646,720)	(6,738,942)
NET CASH FROM OPERATING ACTIVITIES		40,088,992	57,544,766
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(38,300,018)	(36,388,892)
Proceeds on disposal of property, plant and equipment		640,609	9,237,454
Increase in investment properties		7,475,054	-
(Increase)/decrease in non-current receivables		6,738,752	1,399,850
(Increase)/decrease in non-current investments		33,175,839	(6,698,255)
(Increase)/decrease in call investment deposits		(20,710,035)	(25,367,200)
NET CASH FROM INVESTING ACTIVITIES		(10,979,799)	(57,817,044)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(6,562,631)	(6,338,886)
Increase/(decrease) in consumer deposits		1,088,371	962,986
(Increase)/decrease in short-term loans		-	-
NET CASH FROM FINANCING ACTIVITIES		(5,474,260)	(5,375,900)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		23,634,933	(5,648,179)
Cash and cash equivalents at the beginning of the year	**30**	(1,785,081)	3,863,095
Cash and cash equivalents at the end of the year	**30**	21,392,831	(1,785,081)

OVERSTRAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for Investment Properties, which are carried at fair value.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003). These accounting policies are consistent with those of the previous financial year.

The Municipality may have transactions, events or balances that are outside the ambit of the accounting standards referred to above but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants' Accounting Practices Committee. The Group has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. BASIS OF CONSOLIDATION

Investments in associates, subsidiaries and joint ventures are carried at cost in the financial statements of the Municipality. Separate consolidated financial statements will be prepared to account for the Municipality's share of the net assets and post – acquisition results of these investments.

3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

4. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

5. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

6. RESERVES

6.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the CRR Account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

6.2 Capitalisation Reserve
On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.3 Government Grant Reserve
When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.4 Donations and Public Contributions Reserve
When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.5 Revaluation Reserve
The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Fixed Assets

Property, plant and equipment, is stated at cost, less accumulated depreciation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that it's use is expanded or the further development of an asset so that it's original life is extended are examples of subsequent expenditure which should be capitalised.

The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold will be determined annually during the budget process.

7.2 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives (unless a technical assessment of an individual asset concludes that a material variation is necessary):

	Years		Years
Infrastructure		**Other**	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialized plant and	
Improvements	30	equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	equipment	2-5

7.2.1 Heritage assets
These are assets that are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life.

7.2.2 Land
Land is not depreciated for the same reason as in 7.2.1.

7.2.3 Incomplete construction work
Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

7.3 Disposal of property, plant and equipment

- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

7.4 Landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 15 on Provisions.

7.5 Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

8. INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation is stated at Fair Value. The fair value is based on municipal valuations.

9. INVESTMENTS

9.1 Financial Instruments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

10. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

11. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

12. TRADE CREDITORS

Trade creditors are stated at their nominal value.

13. REVENUE RECOGNITION

13.1 Revenue from Exchange Transactions

13.1.1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property

usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

13.1.2 Pre-paid electricity
Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

13.1.3 Interest earned
Interest and rentals are recognised on a time proportion basis.

13.1.4 Dividends
Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

13.1.5 Income from agency services
Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

13.1.6 Housing rental and instalments
Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

13.1.7 Sale of goods
Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

13.1.8 Public contributions
Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

13.2 Revenue from non-exchange transactions

13.2.1 Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

13.2.2 Fines
Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will received based on past experience of amounts collected.

13.2.3 Donations and Contributions
Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

13.2.4 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

15. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

16. POST RETIREMENT BENEFITS

16.1 Pension, Provident and Retirement Funds

The Municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

16.2 Medical Aid: Continued Members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

17. LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

18. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

19. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

20. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

23. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

24. COMPARATIVE INFORMATION

24.1 Current year comparatives:
Budgeted amounts have been included in the annual financial statements.

24.2 Prior year comparatives:
When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

		2006 R	2005 R
1	**HOUSING DEVELOPMENT FUND**		
	Housing Development Fund	3,210,167	9,857,444
	Unappropriated Surplus	3,210,167	9,857,444
	Loans extinguished by Government on 1 April 1998	-	-
	The Housing Development Fund is represented by the following assets and liabilities		
	Instalment Sales Debtors (see note 12)	50,401	5,548,849
	Consumer Debtors (see note 14)	979,384	1,476,929
	Cash and cash equivalents	2,180,382	2,831,665
	Total Housing Development Fund Assets and Liabilities	**3,210,167**	**9,857,444**
2	**LONG TERM LIABILITIES**		
	Annuity Loans	47,449,750	54,012,380
	Capitalised Lease Liability	38,139,498	31,277,535
	Sub-Total	85,589,248	85,289,916
	Less: Current portion transferred to current liabilities	45,047,165	6,545,336
	Annuity Loans	45,047,165	6,545,336
	Government Loans: Other	-	-
	Total External Loans	**40,542,084**	**78,744,580**
	Refer to Appendix A for more detail on long-term liabilities.		
3	**NON-CURRENT PROVISIONS**		
	Provision for rehabilitation of tip sites	4,432,000	2,500,000
	Provision for the clearing out of alien vegetation	1,225,000	1,000,000
	Provision for the cleaning up of illegal dumping	4,405,400	3,750,000
	Provision for post retirement benefits	21,500,000	3,900,000
	Total Non-Current Provisions	**31,562,400**	**11,150,000**
4	**CONSUMER DEPOSITS**		
	Electricity and water	7,730,722	6,642,351
	Total Consumer Deposits	**7,730,722**	**6,642,351**
5	**PROVISIONS**		
	Performance bonus	-	-
	Total Provisions	**-**	**-**
	The movement in current provisions are reconciled as follows:		
	Balance at beginning of year	-	-
	Transfer from non-current		
	Contributions to provision	-	-
	Expenditure incurred	-	-
	Balance at end of year	**-**	**-**

		2006 R	2005 R
6	**CREDITORS**		
	Trade creditors	7,550,630	23,055,594
	Other creditors	0	3,087,030
	Staff leave	4,054,237	3,452,805
	Gansbaai Mayoral Fund	0	24,956
	Payments received in advance	4,534,701	4,139,940
	Suspence accounts	1,207,107	7,115,565
	Control account - salaries	55,643	64,404
	Control account - sundry	938,912	377,166
	Control account - debtors	834	630,278
	Retention money	1,483,853	1,559,546
	Deposits - Builders	5,695,259	4,977,334
	Deposits - Other	157,909	141,348
	Insurance claims	7,856	-
	Prepaid Vending	89,245	0
	Total Creditors	**25,776,186**	**48,625,966**
7	**UNSPENT CONDITIONAL GRANTS AND RECEIPTS**		
	7.1 Conditional Grants from other spheres of Government	**8,184,174**	**5,971,203**
	National Government Grants	1,898,597	1,486,087
	Provincial Government Grants	6,183,853	4,485,116
	District Municipality Grants	101,724	
	7.2 Other Conditional Receipts	**15,555,328**	**10,259,276**
	Developers Contribution - Electricity	3,116,363	1,067,175
	Developers Contribution - Water	5,300,929	3,427,313
	Developers Contribution - Sewerage	3,047,409	1,933,007
	Developers Contribution - Storm Water	450,900	
	Developers Contribution - Sandbaai Erf 1448 - 14 Units	257,089	
	Developers Contribution - Parking	1,915,759	1,990,629
	Public contributions	1,466,878	1,841,153
	Total Conditional Grants and Receipts	**23,739,502**	**16,230,479**
8	**VAT**		
	Vat receivable/ (payable)	**22,991**	**41,691**

Vat is payable on the receipt basis. Only once payment is received from debtors
VAT is paid over to SARS.

9 PROPERTY, PLANT AND EQUIPMENT

See next spreadsheet (note 9)

	2006 R	2005 R
10 INVESTMENT PROPERTY		
At Fair Value	33,645,323	26,170,269
Total Investment Property	**33,645,323**	**26,170,269**
Reconciliation of investment property		
Opening balance of investment property	26,170,269	26,170,269
Adjustment for fair value recognition	7,475,054	
Closing balance of investment property	**33,645,323**	**26,170,269**

No fair value gains/losses are recorded as the investment properties are now for the first time recorded at fair value Revenues earned from rentals are included in the statement of financial performance.

11 INVESTMENTS		
Financial Instruments		
Fixed Deposits	**7,962,693**	**40,681,511**
12 LONG-TERM RECEIVABLES		
Land sales	38,120	38,120
Officials: Car loans	1,850,244	2,976,310
Officials: Study loans	59,764	68,215
Officials: Bursary Fund	4,206	4,206
Housing selling scheme loans	50,401	5,548,849
Sport clubs	566,514	669,447
Sundry	0	2,855
	2,569,250	9,308,001
Less: Current portion transferred to current receivables	807,891	1,072,279
Officials: Car loans	592,221	757,276
Officials: Study loans	63,970	8,948
Housing selling scheme loans	50,401	200,266
Sport clubs	101,299	102,933
Sundry	0	2,855
Total	**1,761,358**	**8,235,722**

CAR LOANS

Senior staff are entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2010.

HOUSING SELLING SCHEME LOANS

Housing loans were granted to qualifying individuals in terms of the provincial administration's housing programme. These loans have been extinguished in accordance with the increased housing subsidy programme.

13 INVENTORY		
Consumable stores - at cost	1,468,993	1,305,512
Total Inventory	**1,468,993**	**1,305,512**

14 CONSUMER DEBTORS

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2006			
Service debtors	35,220,683	15,594,808	19,625,874
Rates	6,880,395	3,046,461	3,833,934
Trading Services (Electricity & Water)	19,010,198	8,417,224	10,592,973
Economic Services (Sewerage & Refuse)	9,330,090	4,131,123	5,198,967
Housing Rentals	979,384	433,646	545,738
Housing Loan instalments			-
Total	**36,200,067**	**16,028,454**	**20,171,612**
As at 30 June 2005			
Service debtors	37,752,433	19,025,186	18,727,247
Rates	6,566,159	3,308,989	3,257,170
Trading Services (Electricity & Water)	21,635,508	10,903,127	10,732,381
Economic Services (Sewerage & Refuse)	9,550,766	4,813,070	4,737,696
Housing Rentals	792,263	399,258	393,005
Housing Loan instalments	684,667	345,035	339,632
Total	**- 39,229,362**	**19,769,478**	**19,459,884**

	2006 R	2005 R
Rates: Ageing		
Current (0 - 30 days)	2,883,916	(2,511,375)
31 - 60 Days	623,902	4,318,519
61 - 90 Days	189,047	645,861
91 - 120 Days	176,096	370,857
+ 120 Days	3,007,425	3,742,296
Total	**6,880,385**	**6,566,159**
Trading Services (Electricity and Water): Ageing		
Current (0 - 30 days)	8,396,095	(61,830)
31 - 60 Days	2,131,085	8,861,010
61 - 90 Days	669,669	1,717,892
91 - 120 Days	729,845	895,007
+ 120 Days	7,083,503	10,223,429
Total	**19,010,198**	**21,635,508**
Economic Services (Sewerage and Refuse): Ageing		
Current (0 - 30 days)	3,197,995	(2,474,467)
31 - 60 Days	616,211	2,870,216
61 - 90 Days	373,947	743,410
91 - 120 Days	299,177	351,693
+ 120 Days	4,842,761	8,059,914
Total	**9,330,090**	**9,550,766**
Housing rentals: Ageing		
Current (0 - 30 days)	168,871	(1,052)
31 - 60 Days	44,120	107,661
61 - 90 Days	40,954	37,637
91 - 120 Days	40,161	42,471
+ 120 Days	685,277	605,546
Total	**979,384**	**792,263**
Housing loan instalmenst: Ageing		
Current (0 - 30 days)	-	4,674
31 - 60 Days	-	72,538
61 - 90 Days	-	44,851
91 - 120 Days	-	23,849
+ 120 Days	-	538,754
Total	**-**	**684,667**

Summary of Debtors by Customer Classification

30 June 2006	Consumers R	Industrial/ Commercial R	National and Provincial Gov R
Current (0 - 30 days)	11,141,598	2,758,013	(72,835)
31 - 60 Days	2,805,973	539,215	107,831
61 - 90 Days	1,057,045	192,435	50,041
91 - 120 Days	1,067,497	160,829	44,224
+ 120 Days	13,967,517	1,245,743	1,134,940
Sub-total	**30,039,631**	**4,896,235**	**1,264,201**
Less: Provision for bad debts	14,715,959	1,312,495	-
Total debtors by customer classification	15,323,672	3,583,740	1,264,201

30 June 2005	Consumers R	Industrial/ Commercial R	National and Provincial Gov R
Current (0 - 30 days)	(4,956,836)	(14,380)	(72,835)
31 - 60 Days	15,876,580	245,533	107,831
61 - 90 Days	3,096,629	42,982	50,041
91 - 120 Days	1,618,699	20,954	44,224
+ 120 Days	21,731,526	303,474	1,134,940
Sub-total	**37,366,598**	**598,563**	**1,264,201**
Less: Provision for bad debts	19,497,206	272,272	-
Total debtors by customer classification	17,869,392	326,291	1,264,201

	2006 R	2005 R
15 OTHER DEBTORS		
Payments made in advance		3,192,368
Control accounts - salaries	26,253	52,772
Control accounts - sundry	112,599	110,220
Control accounts - debtors	6,457,814	1,601,726
Subsidy claims	242,455	2,135,517
Insurance claims	-	36,213
Deposits	47,322	47,322
Total Other Debtors	**6,886,443**	**7,176,139**
16 CALL INVESTMENT DEPOSITS		
CRK Shares (4672 shares)	17,454	17,454
Other Deposits	109,438,137	88,745,556
	109,455,591	**88,763,009**
Market valuation of listed investments		
CRK Shares (4672 shares)	24,528	24,528

	2006 R	2005 R
17 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
ABSA - Account Number 322 000 0035 (Hermanus - Primary Bank Account)		
Cash book balance at beginning of year	(2,881,693)	2,363,594
Cash book balance at end of year	31,600,965	(2,881,693)
Bank statement balance at beginning of year	4,280,080	6,491,939
Bank statement balance at end of year	24,951,006	4,280,080
ABSA - Account Number 322 017 0240 (Gansbaai)		
Cash book balance at beginning of year	581,908	695,589
Cash book balance at end of year	-2,272,730	581,908
Bank statement balance at beginning of year	684,981	575,163
Bank statement balance at end of year	4,849,814	684,981
ABSA - Account Number 405 835 6861 (Hangklip-Kleinmond)		
Cash book balance at beginning of year	284,943	614,685
Cash book balance at end of year	-9,050,571	284,943
Bank statement balance at beginning of year	570,740	796,766
Bank statement balance at end of year	5,092,135	570,740
ABSA - Account Number 405 589 9787 (Onrus Caravan Park)		
Cash book balance at beginning of year	6,510	3,087
Cash book balance at end of year	29,355	6,510
Bank statement balance at beginning of year	1,112	1,740
Bank statement balance at end of year	38,812	1,112
ABSA - Account Number 405 642 0921 (Traffic Department)		
Cash book balance at beginning of year	214,431	174,822
Cash book balance at end of year	1,076,991	214,431
Bank statement balance at beginning of year	214,431	132,743
Bank statement balance at end of year	1,179,909	214,431
FNB - Account Number 524 700 3065 (Stanford)		
Cash book balance at beginning of year	0	2,798
Cash book balance at end of year	0	0
Bank statement balance at beginning of year	0	2,798
Bank statement balance at end of year	0	0
Cash on hand in cash floats:	8,820	8,820
Total Bank and Cash	**21,392,831**	**(1,785,081)**

	2006 R	2005 R
18 PROPERTY RATES		
Actual		
Residential	54,621,900	51,566,389
Commercial	5,602,926	5,289,503
Agricultural	2,189,528	2,067,048
	62,414,355	58,922,939
Less: Exempted properties	0	2,432,523
Total Assessment Rates	**62,414,355**	**56,490,416**
	July 2004	**July 2004**
Valuations	**R000's**	**R000's**
Residential	9,042,394	9,042,394
Commercial	927,538	927,538
Agricultural	362,466	362,466
Exempted properties	277,853	277,853
Total Property Valuations	**10,610,251**	**10,610,251**

Valuations on land and buildings are undertaken every four years. The last valuation came into effect on 1 July 2002. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of 0,5781 c/R (2003/2004: 0,5329 c/R) is applied to property valuations to determine assessment rates. Rebates ranging between 20% & 40% are applied to pensioners. Rates are levied on an annual basis and can be paid in installments or annually. The final date of payment for annual rates was 30 September 2005. Interest at prime plus 1% is levied on outstanding rates.

	2006 R	2005 R
19 SERVICE CHARGES		
Sale of electricity	69,740,636	64,992,171
Sale of water	37,503,060	32,015,828
Refuse removal	22,313,224	20,620,456
Sewerage and sanitation charges	23,151,509	21,022,062
Total Service Charges	**152,708,429**	**138,650,517**

20 GOVERNMENT GRANTS AND SUBSIDIES

National FMG Grant	20.1A	1,087,490	1,313,678
Provincial Equitable share	20.2A	9,968,928	4,537,300
Provincial Health Subsidy	20.2B	1,129,311	1,292,099
Provincial Proclaimed Roads Maintenance	20.2C	1,854,033	579,530
Provincial Cleansing Campain	20.2E	0	15,707
Provincial Cleanest Town	20.2F	54,832	34,404
Provincial Informal Settlement Re-Location	20.2G	0	2,500
Provincial Hemel en Aarde Struktuurplan	20.2H	0	14,549
Provincial Public Transport	20.2I	0	274,566
Provincial Water/sewerage masterplan	20.2K	0	172,140
Provincial Water Plan & Inv	20.2L	0	50,333
Provincial WEKCO	20.2M	0	108,251
Provincial ECO Development Strategy	20.2N	0	30,000
Provincial Squatter Assistence	20.2O	0	5,000
Provincial Capacity Building (PRKBF)	20.2P	0	100,000
Provincial PFF2004/031 Water Analysis	20.2Q	0	50,000
Provincial Social Housing GB 350 Houses	20.2S		12,788,270
Provincial Town Planning Subsidy	20.2AA	50,000	0
Provincial Other	20.2AB	113,936	0

		2006 R	2005 R
Provincial Government & Local Government- Capital Projects		6,440,886	3,255,204
Provincial B Bos Water	20.2J	0	124,820
Provincial Water Services (MIG)	20.2T	0	1,062,999
Provincial Water BBOS (MIG)	20.2U	0	498,000
Provincial MIG funds 2005/06	20.2V	2,616,313	385,620
Provincial Social Housing Projects	20.2S	3,308,965	
Provincial Kwasa-Kwasa RD & SW	20.2W	0	980,000
Provincial Multipurpose Centre	20.2X	250,330	6,153
Provincial Public Transport	20.2V	81,753	197,612
Overberg DM Health Centre	20.2AC	183,526	0
Total Government Grant and Subsidies		**20,699,417**	**24,623,530**

20.1A Conditional Grants: National - FMG Grant

Balance unspent at beginning of year	1,486,087	1,299,765
Current year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	-1,087,490	-1,313,678
Conditions still to be met - transferred to liabilities (see note 7)	**1,898,597**	**1,486,087**

The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The MFMA Grant also pays for the cost of the Financial Management Internship Programme (eg salary costs of the Financial Management Interns).

20.2A Conditional Grants: Provincial - Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 253 (2004: R86), which is funded from this grant.

20.2B Conditional Grants: Provincial - Health Subsidies

Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote	1,129,311	1,292,099
Conditions met - transferred to revenue	-1,129,311	-1,292,099
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**

The Municipality renders health services on behalf of the Provincial Government and was partially refunded for this activity (from 1 st April 2005 it has been 100% refunded. This grant has been used excclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

20.2C Conditional Grants: Provincial - Main Road Subsidy

Balance unspent at beginning of year	0	0
Current year receipts - included in roads maintenance vote	1,854,033	579,530
Conditions met - transferred to revenue	-1,854,033	-579,530
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**

20.2D Conditional Grants: Provincial - Water Conservation Trust Fund

Balance unspent at beginning of year	421,039	421,039
Current year receipts		-
Conditions met - transferred to revenue		-
Conditions still to be met - transferred to liabilities (see note 7)	**421,039**	**421,039**

	2006 R	2005 R
20.2E Conditional Grants: Provincial - Cleansing Campain		
Balance unspent at beginning of year	-	15,707
Current year receipts		0
Conditions met - transferred to revenue		-15,707
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2F Conditional Grants: Provincial - Cleanest Town 2004		
Balance unspent at beginning of year	0	18,697
Current year receipts	54,832	15,707
Conditions met - transferred to revenue	-54,832	-34,404
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2G Conditional Grants: Provincial - Informal Settlement Re-Location		
Balance unspent at beginning of year	507,587	510,087
Current year receipts		0
Conditions met - transferred to revenue		-2,500
Conditions still to be met - transferred to liabilities (see note 7)	**507,587**	**507,587**
20.2H Conditional Grants: Provincial - Hemel en Aarde Structure Plan		
Balance unspent at beginning of year	114,563	129,112
Current year receipts		0
Conditions met - transferred to revenue		-14,549
Conditions still to be met - transferred to liabilities (see note 7)	**114,563**	**114,563**
20.2I Conditional Grants: Provincial - Public Transport		
Balance unspent at beginning of year	0	274,566
Current year receipts		0
Conditions met - transferred to revenue		-274,566
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2J Conditional Grants: Provincial - B Bos Water		
Balance unspent at beginning of year	0	124,820
Current year receipts		0
Conditions met - transferred to revenue		-124,820
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2K Conditional Grants: Provincial - Water/sewerage masterplan		
Balance unspent at beginning of year	0	172,140
Current year receipts		0
Conditions met - transferred to revenue		-172,140
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2L Conditional Grants: Provincial - Water Plan & Inv		
Balance unspent at beginning of year	0	50,333
Current year receipts		0
Conditions met - transferred to revenue		-50,333
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2M Conditional Grants: Provincial - WEKCO		
Balance unspent at beginning of year	0	33,251
Current year receipts		75,000
Conditions met - transferred to revenue		-108,251
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**

	2006 R	2005 R
20.2N Conditional Grants: Provincial - ECO Development Strategy		
Balance unspent at beginning of year	0	0
Current year receipts		30,000
Conditions met - transferred to revenue		-30,000
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2O Conditional Grants: Provincial - Squatter Assistance		
Balance unspent at beginning of year	0	0
Current year receipts		5,000
Conditions met - transferred to revenue		-5,000
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2P Conditional Grants: Provincial - Capacity Building (PRKBF)		
Balance unspent at beginning of year	0	0
Current year receipts		100,000
Conditions met - transferred to revenue		-100,000
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2Q Conditional Grants: Provincial - PFF2004/031 Water Analysis		
Balance unspent at beginning of year	0	0
Current year receipts		50,000
Conditions met - transferred to revenue		-50,000
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2R Conditional Grants: Provincial - ST Water Resources		
Balance unspent at beginning of year	50,000	0
Current year receipts		50,000
Conditions met - transferred to revenue		0
Conditions still to be met - transferred to liabilities (see note 7)	**50,000**	**50,000**
20.2S Conditional Grants: Provincial - Social Housing GB 350 & HW		
Balance unspent at beginning of year	0	0
Current year receipts	3,308,965	12,788,270
Conditions met - transferred to revenue	-3,308,965	-12,788,270
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2T Conditional Grants: Provincial - Water Services (MIG)		
Balance unspent at beginning of year	0	400,000
Current year receipts		662,999
Conditions met - transferred to revenue		-1,062,999
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2U Conditional Grants: Provincial - DWARF Water Supply Baardsk/Bos		
Balance unspent at beginning of year	0	0
Current year receipts		498,000
Conditions met - transferred to revenue		-498,000
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2V Conditional Grants: Provincial - MIG FUNDS 2005/06 Allocation		
Balance unspent at beginning of year	253,180	0
Current year receipts	2,363,133	638,800
Conditions met - transferred to revenue	-2,616,313	-385,620
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**253,180**

	2006 R	2005 R
20.2W Conditional Grants: Other - Kwasa Kwasa RD &SW (1101)		
Balance unspent at beginning of year	0	0
Current year receipts		980,000
Conditions met - transferred to revenue		-980,000
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2X Conditional Grants: Provincial - Multipurpose Centre (CAP)		
Balance unspent at beginning of year	2,353,847	0
Current year receipts	1,500,000	2,360,000
Conditions met - transferred to revenue	-250,330	-6,153
Conditions still to be met - transferred to liabilities (see note 7)	**3,603,517**	**2,353,847**
20.2Y Conditional Grants: Provincial - Public Transport Facility		
Balance unspent at beginning of year	0	0
Current year receipts	81,753	197,612
Conditions met - transferred to revenue	-81,753	-197,612
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2Z Conditional Receipts: Other - Schulphoek Resort		
Balance unspent at beginning of year	784,899	784,899
Current year receipts		0
Conditions met - transferred to revenue		0
Conditions still to be met - transferred to liabilities (see note 7)	**784,899**	**784,899**
20.2AA Conditional Receipts: Provincial - Town Planning Subsidy		
Balance unspent at beginning of year	0	0
Current year receipts	50,000	0
Conditions met - transferred to revenue	-50,000	0
Conditions still to be met - transferred to liabilities (see note 7)	**0**	**0**
20.2AB Conditional Receipts: PAWC: Other		
Balance unspent at beginning of year	0	0
Current year receipts	1,051,610	0
Conditions met - transferred to revenue	-113,936	0
Conditions still to be met - transferred to liabilities (see note 7)	**937,674**	**0**
20.2AC Conditional Receipts: ODM: Health Centre		
Balance unspent at beginning of year	0	0
Current year receipts	185,250	0
Conditions met - transferred to revenue	-183,526	0
Conditions still to be met - transferred to liabilities (see note 7)	**1,724**	**0**

20.3 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (2004), government grant funding is expected to increase over the two years 2006/07 and 2007/08.

21 OTHER INCOME

Sale of housing	0	0
Other income	8,045,638	6,841,566
Total Other Income	**8,045,638**	**6,841,566**

	2006 R	2005 R
22 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	50,206,827	47,048,646
Employee related costs - Contributions for UIF, pensions and medical aids	14,004,154	11,229,680
Travel, motor car, accommodation, subsistence and other allowances	4,632,267	4,585,810
Housing benefits and allowances	939,376	890,595
Overtime payments	6,912,450	6,769,818
Performance bonus	3,773,957	3,505,565
Long-service awards	0	0
Less: Employee costs unauthorize to Property, Plant and Equipment	0	0
Less: Employee costs included in other expenses	0	0
Total Employee Related Costs	**80,469,030**	**74,030,113**

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of the Municipal Manager		
Annual Remuneration	466,720	440,302
Performance Bonus	56,700	54,000
Car Allowance	117,208	110,573
Computer Allowance	13,101	12,359
Office Allowance	16,376	15,449
Company Contributions to UIF, Medical and Pension Funds	150,354	135,452
Total	**820,459**	**768,136**
Remuneration of the Director: Financial Services		
Annual Remuneration	388,691	366,690
Performance Bonus	56,839	36,670
Car Allowance	131,485	130,692
Housing Subsidy	5,142	6,450
Computer Allowance	2,744	2,588
Company Contributions to UIF, Medical and Pension Funds	98,474	95,669
Total	**683,374**	**638,760**
Remuneration of the Director: Corporate Services		
Annual Remuneration	354,358	316,708
Performance Bonus	27,662	58,398
Car Allowance	76,815	115,222
Housing Subsidy	3,462	5,658
Computer Allowance	1,819	2,575
Company Contributions to UIF, Medical and Pension Funds	34,782	81,879
Total	**498,898**	**580,440**
Remuneration of the Director: Public Services (Till Oct 2005)		
Annual Remuneration	111,903	316,708
Performance Bonus		30,736
Car Allowance	38,407	115,222
Computer Allowance	910	2,575
Company Contributions to UIF, Medical and Pension Funds	28,865	84,536
Total	**180,086**	**549,777**
Remuneration of the Director: Local Economic Development		
Annual Remuneration	281,000	
Performance Bonus	28,100	
Car Allowance	129,973	
Housing Allowance	9,000	
Computer Allowance	12,000	
Company Contributions to UIF, Medical and Pension Funds		
Total	**460,073**	**-**

	2006 R	2005 R
23 INTEREST PAID		
Long-term liabilities	5,646,720	6,738,942
Bank overdrafts	0	0
Total Interest on External Borrowings	**5,646,720**	**6,738,942**
24 BULK PURCHASES		
Electricity	34,106,609	33,392,170
Water	0	0
Total Bulk Purchases	**34,106,609**	**33,392,170**
25 REMUNERATION OF COUNCILLORS		
Executive Mayor	269,860	271,885
Deputy Executive Mayor	231,596	218,162
Speaker	233,749	220,946
Mayoral Committee Members	445,864	420,376
Councillors	831,323	760,088
Medical aid contributions	70,665	33,725
Pension contributions	190,376	189,100
Total Councillors' Remuneration	**2,273,433**	**2,114,282**

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. Councillors may utilize official Council transportation when engaged in official duties.

26 GRANTS AND SUBSIDIES PAID		
Grant to Tourism Associations	830,946	869,269
Grant to Youth Projects	63,390	81,390
Grant iro Rates Rebates	76,301	2,432,523
Low Income Subsidy	5,524,380	3,882,724
Aids Projects	21,653	23,204
Gender	5,821	14,471
Marketing	192,726	10,000
Relief Community	187,620	20,678
Total Grants and Subsidies	**6,902,837**	**7,334,259**

27 CHANGE IN ACCOUNTING POLICY

During the year ended 30 June 2006, expenses were incurred that previously were financed from funds and reserves. Due to the implementation of GAMAP, the funds however no longer exist in the current financial year. The funds were transferred to the accumulated surplus on 30 June 2005.

Decrease in accumulated surplus		**1,322,977**

28 CORRECTION OF ERROR

During the year ended 30 June 2005, expenses were incurred and corrections were made that related to the financial year 30 June 2004.

Details of the corrections and expenses are as follows:

Corrections on debtors for previous years		740,095
Corrections on creditors for previous years		318,097
Corrections to opening balances of external loans		(294,455)
Correction of error	(4,146,963)	
Corrections on income of previous years		(349,793)
Corrections on expenses of previous years		334,014
Decrease in accumulated surplus	**(4,146,963)**	**747,959**

	2006 R	2005 R
29 CASH GENERATED BY OPERATIONS		
Surplus for the year	28,739,552	41,707,504
Adjustment for:		
Correction of prior year error	3,149,563	(747,959)
Change in accounting policy	-	(1,322,977)
Depreciation	19,577,261	17,289,239
Gain on disposal of property, plant and equipment	(640,609)	(9,237,454)
Contribution to provisions - non-current	(11,862,535)	5,627,375
Contribution to provisions - current	-	-
Contribution to bad debt provision	(3,741,024)	(9,743,026)
Dividends received	(3,504)	(4,535)
Investment income	(9,301,636)	(9,708,732)
Interest paid	5,646,720	6,738,942
Operating surplus before working capital changes	**31,563,787**	**40,598,377**
(Increase)/Decrease in inventories	(163,482)	166,697
(Increase)/Decrease in debtors	20,029,296	8,735,146
(Increase)/Decrease in other debtors	323,027	(1,919,461)
Increase/(Decrease) in provisions	-	-
Increase/(Decrease) in conditional grants and receipts	7,509,023	2,110,459
Increase/(Decrease) in creditors	(22,849,779)	5,216,356
(Increase)/Decrease in Vat	18,700	(337,132)
Cash generated by operations	**36,430,571**	**54,570,441**

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	21,392,831	1,096,612
Bank overdraft	-	(2,881,693)
Total cash and cash equivalents	**21,392,831**	**(1,785,081)**

31 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 2)	85,589,248	85,289,916
Used to finance property, plant and equipment - at cost	85,481,515	85,182,182
Sub-total	107,734	107,734
Cash set aside for the repayment of long-term liabilities (see note 2)	45,047,165	6,545,336
Cash invested for repayment of long-term liabilities	**45,154,898**	**6,653,069**

External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

32 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Expenditure amounting to R59 503 was incurred for interest and penalties on the eventual late payment of income tax, unemployment insurance contributions and skills development levies for June 2006.

33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

33.1 Contributions to organised local government - SALGA

Opening balance	0	0
Council subscriptions	141,874	115,014
Amount paid - current year	-141,874	-115,014
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	**0**	**0**

	2006 R	2005 R
33.2 Audit fees		
Opening balance	0	0
Current year audit fee	740,251	614,475
Amount paid - current year	-740,251	-614,475
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	**0**	**0**

33.3 VAT

VAT inputs receivables and VAT outputs receivables are included in debtors and creditors respectively. All VAT returns have been submitted by the due date throughout the year.

33.4 PAYE and UIF		
Opening balance	0	0
Current year payroll deductions	7,768,055	5,914,290
Amount paid - current year	-7,768,055	-5,914,290
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	**0**	**0**

33.5 Pension and Medical Aid Deductions		
Opening balance	0	0
Current year payroll deductions and Council contributions	13,631,368	10,905,094
Amount paid - current year	-13,631,368	-10,905,094
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	**0**	**0**

33.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2006	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Total Councillor Arrear Consumer Accounts	**0**	**0**	**0**

30 June 2005	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Councillor P J Makka	4,898	951	2,747
Total Councillor Arrear Consumer Accounts	**4,898**	**951**	**2,747**

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

30 June 2006	**Highest amount outstanding**	**Ageing**
		> 90 Days

30 June 2005	**Highest amount outstanding**	**Ageing**
Councillor P J Makka	2,747	> 90 Days

	2006 R	2005 R
34 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for	0	0
Infrastructure	0	-
Community	0	-
Other	0	0
- Approved but not yet contracted for	128,533,120	46,777,000
Infrastructure	111,475,170	29,117,000
Community	6,812,950	6,264,000
Heritage		100,000
Other	10,245,000	11,296,000
Total	**128,533,120**	**46,777,000**
This expenditure will be financed from:		
External Loans	42,000,000	17,000,000
Capital Replacement Reserve	52,602,850	21,030,000
Government Grants	31,619,074	6,673,000
Public Contributions	2,311,196	2,074,000
	128,533,120	**46,777,000**

35 RETIREMENT BENEFIT INFORMATION

All Councillors and employees belong to 3 defined benefit retirement funds administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed on 30 June 2004. These valuations indicate that the funds are in a sound financial position. The estimated liability of the funds is R 269,2 million which is adequately financed by assets of R 269,2 million.

An amount of R 6,4 million (2004: R 5,3 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

36 CONTINGENT LIABILITIES

PAYE

There is uncertainty regarding the assessment including penalties and interest on the unpaid PAYE. A tax assessment was received from SARS regarding incorrect tax deductions on pension fund contributions of certain employees. No response has yet been received on the Municipality's letter of objection. An estimated expense amounting to R662 424 may be payable. However, no provision has been made for this potential liability.

37 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance:-

- Secondment of International Finance Advisor by National Treasury for two years

38 EVENTS AFTER THE REPORTING DATE

The funtion of Primary Health Care has been transferred to Provincial Health Department with effect from 1 July 2006. The Municipality has rendered an agency service for Marine and Coastal Management which will be transferred back to that department on 1 July 2006

39 COMPARISON WITH THE BUDGET

The comparison of the Municipality’s actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2006

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 1 July 2005	-	163,378,854	13,719,717	1,088,522	50,594,089	228,781,182
Cost	-	224,137,262	17,455,501	1,088,522	77,310,363	319,991,648
Correction of error	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	(60,758,408)	(3,735,784)	-	(26,716,274)	(91,210,465)
- Cost	-	(60,758,408)	(3,735,784)	-	(26,716,274)	(91,210,465)
- Revaluation	-	-	-	-	-	-
Acquisitions	-	20,654,045	3,609,629	95,999	10,037,471	34,397,144
Capital under Construction	-	2,851,132	250,330	-	801,411	3,902,873
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation	-	(12,770,458)	(636,816)	-	(6,295,599)	(19,702,873)
- based on cost	-	(12,770,458)	(636,816)	-	(6,295,599)	(19,702,873)
- based on revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impaired losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values at 30 June 2006	-	174,113,574	16,942,859	1,184,522	55,137,372	247,378,327
Cost	-	247,642,439	21,315,460	1,184,522	88,149,245	358,291,665
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	(73,528,866)	(4,372,601)	-	(33,011,872)	(110,913,338)
- Cost	-	(73,528,866)	(4,372,601)	-	(33,011,872)	(110,913,338)
- Revaluation	-	-	-	-	-	-

30 June 2005

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 1 July 2004	-	145,285,223	11,252,954	1,088,522	52,054,831	209,681,529
Cost	-	195,089,773	14,471,287	1,088,522	72,953,173	283,602,755
Correction of error	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	(49,804,550)	(3,218,334)	-	(20,898,342)	(73,921,226)
- Cost	-	(49,804,550)	(3,218,334)	-	(20,898,342)	(73,921,226)
- Revaluation	-	-	-	-	-	-
Acquisitions	-	29,047,489	2,984,214	-	4,357,190	36,388,892
Capital under Construction	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation	-	(10,953,857)	(517,451)	-	(5,817,931)	(17,289,239)
- based on cost	-	(10,953,857)	(517,451)	-	(5,817,931)	(17,289,239)
- based on revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impaired losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values at 30 June 2005	-	163,378,854	13,719,717	1,088,522	50,594,089	228,781,182
Cost	-	224,137,262	17,455,501	1,088,522	77,310,363	319,991,648
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	(60,758,408)	(3,735,784)	-	(26,716,274)	(91,210,465)
- Cost	-	(60,758,408)	(3,735,784)	-	(26,716,274)	(91,210,465)
- Revaluation	-	-	-	-	-	-

APPENDIX A

OVERSTRAND MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

	Loan Number	Redeemable	Balance at 30/06/2005 R	Received during the period R	Redeemed/ written off during period R	Balance at 30/06/2006 R	Carrying value of property, plant & equip R	Other costs in accordance with MFMA R
ANNUITY LOANS								
ABSA @ 7.18%	86/04794/06	2007	2,046,005	0	986,402	1,059,602	5,341,336	
ABSA @ 11.30%		2006	47,354	0	30,694	16,660	150,000	
ABSA @ 14.25%		2007	251,107	0	116,926	134,182	606,000	
DBSA @ 8.871%	13535/102	2020	4,711,460	0	314,097	4,397,363	5,095,922	
DBSA @ 9.171%	13761/101	2007	96,500	0	48,250	48,250	180,280	
DBSA @ 9.171%	13543/101	2019	4,104,221	0	273,615	3,830,606	4,140,385	
DBSA @ 9.171%	13761/101	2020	4,041,535	0	260,744	3,780,791	4,211,019	
DBSA @ 12.00%	10450/1	2017	1,021,094	0	35,445	985,649	724,583	
RAND MERCHANT @ 10.219%		2008	19,743,085	0	2,574,935	17,168,150	18,824,557	
INCA @ 12.82%		2012	17,191,716	0	1,478,406	15,713,310	17,083,983	
DISTRICT MUN @ 17.75%		2006	46,706	0	29,315	17,391	20,000	
DISTRICT MUN @ 18.00%	C/R	2006	91,401	0	58,274	33,127	355,300	
DISTRICT MUN @ 18.00%		2007	458,224	0	209,417	248,808	940,500	
DISTRICT MUN @ 18.00%	92/93	2005	79,454	0	79,454	0	533,850	
DISTRICT MUN @ 18.00%		2005	23,129	0	23,129	0	168,350	
DISTRICT MUN @ 18.00%		2005	12,502	0	12,502	0	37,319	
DISTRICT MUN @ 18.00%		2006	12,844	0	8,189	4,656	25,926	
DISTRICT MUN @ 18.00%	AR10/12/1	2006	30,916	0	19,711	11,205	66,923	
DISTRICT MUN @ 18.00%		2005	3,125	0	3,125	0	28,000	
Total annuity loans			**54,012,380**	**0**	**6,562,631**	**47,449,749**	**58,534,233**	**0**
TOTAL EXTERNAL LOANS			**54,012,380**	**0**	**6,562,631**	**47,449,749**	**58,534,233**	**0**

APPENDIX B

OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost					Accumulated Depreciation				
	Opening Balance R	Additions R	Under Constuction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	Carrying Value R
Infrastructure										
Access control	644,959	0		0	644,959	87,938	129,507	0	217,444	427,515
Car parks	1,594,247	0		0	1,594,247	115,953	78,914	0	194,867	1,399,380
Fencing	1,554,930	41,237		0	1,596,168	637,554	365,237	0	1,002,791	593,377
Footways	1,700,037	0	25,668	0	1,725,705	79,895	85,002	0	164,897	1,560,808
Kerbing	285,126	136,502		0	421,628	22,899	14,256	0	37,155	384,472
Load Control Equipment	7,024,658	0		0	7,024,658	0	351,233	0	351,233	6,673,425
Mains electrical	4,280,029	6,938,050		0	11,218,080	1,628,655	214,001	0	1,842,656	9,375,424
Mains water	3,220,016	0		0	3,220,016	142,927	161,001	0	303,928	2,916,088
Meters electrical	600,010	0		0	600,010	294,845	30,001	0	324,846	275,164
Meters water	219,215	0		0	219,215	74,667	13,961	0	88,627	130,588
Motorways	1,796,845	4,081,993	823,821	0	6,702,659	141,964	121,844	0	263,808	6,438,851
Outfall sewers	543,897	0		0	543,897	264,901	27,195	0	292,096	251,802
Paving	450,000	410,079		0	860,079	0	22,500	0	22,500	837,579
Purification works	8,484,405	0		0	8,484,405	1,744,425	424,220	0	2,168,645	6,315,760
Rights - water	2,360,000	0		0	2,360,000	354,000	118,000	0	472,000	1,888,000
Other roads	25,639,363	0		0	25,639,363	8,954,313	2,471,645	0	11,425,958	14,213,405
Security system	292,199	0		0	292,199	117,677	58,440	0	176,117	116,082
Road Signage	64,145	0		0	64,145	0	12,829	0	12,829	51,316
Sewers	50,424,205	180,424	1,683,597	0	52,288,226	19,424,608	2,521,210	0	21,945,818	30,342,408
Speed Control	293,329	0		0	293,329	114,965	29,333	0	144,297	149,032
Sewerage pumps	969,849	0		0	969,849	150,832	62,643	0	213,475	756,374
Street lighting	2,125,970	1,242,125		0	3,368,095	305,106	85,270	0	390,376	2,977,719
Supply/reticulation Electricity	35,475,866	285,296		0	35,761,163	8,759,266	1,773,793	0	10,533,059	25,228,103
Supply/reticulation Water	29,719,461	1,505,194	212,606	0	31,437,262	6,695,217	1,487,533	0	8,182,750	23,254,512
Stormwater drains	11,094,559	5,644,305	105,440	0	16,844,304	2,217,595	554,728	0	2,772,323	14,071,982
Reservoirs & tanks	26,410,851	188,840		0	26,599,691	7,748,503	1,320,543	0	9,069,045	17,530,646
Transformer kiosks	6,785,243	0		0	6,785,243	650,359	226,175	0	876,533	5,908,710
Traffic lights	83,844	0		0	83,844	29,345	4,192	0	33,538	50,306
	224,137,262	**20,654,045**	**2,851,132**	**0**	**247,642,439**	**60,758,408**	**12,765,205**	**0**	**73,523,613**	**174,118,827**

APPENDIX B

OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost					Accumulated Depreciation				
	Opening Balance R	Additions R	Under Constuction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	Carrying Value R
Community Assets										
Beach development	395,940	246,215		0	642,156	21,380	13,198	0	34,578	607,577
Care centres	168,612	383,164		0	551,776	22,359	5,620	0	27,980	523,797
Cemeteries	406,622	50,000		0	456,622	58,160	13,554	0	71,715	384,907
Community centres	2,947,522	405,440	250,330	0	3,603,292	171,452	98,251	0	269,702	3,333,590
Fire stations	202,338	0		0	202,338	5,147	6,745	0	11,891	190,446
Floodlighting	124,604	27,789		0	152,393	7,380	6,230	0	13,610	138,782
Golf courses	402,194	0		0	402,194	301,646	20,110	0	321,755	80,439
Clinics/hospitals	1,295,310	0		0	1,295,310	421,770	43,177	0	464,947	830,363
Jukskei pitches	6,949	0		0	6,949	5,212	347	0	5,559	1,390
Libraries	3,630,670	0		0	3,630,670	194,589	121,022	0	315,611	3,315,058
Outdoor sports	1,071,350	2,027,971		0	3,099,321	468,517	48,630	0	517,147	2,582,174
Parks	269,188	166,981		0	436,170	13,559	9,638	0	23,197	412,973
Public conveniences	2,120,944	159,191		0	2,280,136	472,542	71,463	0	544,006	1,736,130
Recreation centres	3,722,804	142,876		0	3,865,680	1,312,288	130,884	0	1,443,172	2,422,509
Stadiums	239,330	0		0	239,330	68,620	7,978	0	76,598	162,731
Swimming pools	226,924	0		0	226,924	23,013	9,680	0	32,692	194,232
Tennis courts	224,200	0		0	224,200	168,150	11,210	0	179,360	44,840
	17,455,501	**3,609,629**	**250,330**	**0**	**21,315,460**	**3,735,784**	**617,736**	**0**	**4,353,521**	**16,961,939**
Heritage Assets										
Heritage buildings	1,088,522	95,999		0	1,184,522	0	0	0	0	1,184,522
	1,088,522	**95,999**	**0**	**0**	**1,184,522**	**0**	**0**	**0**	**0**	**1,184,522**

APPENDIX B

OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost					Accumulated Depreciation				
	Opening Balance R	Additions R	Under Constuction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	Carrying Value R
Other Assets										
Air conditioner	181,594	0		0	181,594	47,348	36,319	0	83,667	97,927
Caravan Parks	4,704,770	0		0	4,704,770	2,252,403	156,826	0	2,409,229	2,295,541
Computer hardware	2,541,332	141,282	105,160	0	2,787,774	1,416,313	508,266	0	1,924,580	863,194
Compacting Stations	7,228,785	0		0	7,228,785	865,653	240,959	0	1,106,613	6,122,172
Computer software	964,317	0		0	964,317	286,423	192,863	0	479,286	485,031
Fire Equipment	75,865	0		0	75,865	0	5,058	0	5,058	70,807
General plant	2,490,985	2,721,503		0	5,212,489	1,328,730	498,197	0	1,826,927	3,385,562
Hostels - workers	138,811	0		0	138,811	92,541	4,627	0	97,168	41,643
Household refuse	93,055	35,000		0	128,055	37,733	18,611	0	56,344	71,711
Houses - municipal	696,308	0		0	696,308	346,161	23,210	0	369,371	326,937
Housing schemes	16,658,193	3,455,315	563,719	0	20,677,226	8,973,583	555,273	0	9,528,856	11,148,370
Irrigation systems	69,837	0		0	69,837	12,987	4,324	0	17,311	52,526
Miscellaneous furniture	978,059	49,818		0	1,027,878	271,630	181,994	0	453,624	574,254
Office building	18,777,524	229,663	132,533	0	19,139,720	2,540,693	663,535	0	3,204,229	15,935,491
Office machines	336,770	0		0	336,770	95,262	63,809	0	159,071	177,698
Other Land	157,500	0		0	157,500	44,083	5,250	0	49,333	108,167
Radio equipment	817,590	0		0	817,590	273,597	163,518	0	437,115	380,476
Telecommunication	64,164	0		0	64,164	51,331	12,833	0	64,164	0
Tip sites	1,352,684	0		0	1,352,684	128,882	39,234	0	168,116	1,184,569
Training Facilities	25,000	0		0	25,000	0	833	0	833	24,167
Transport Facilities	510,260	116,028		0	626,288	39,007	20,407	0	59,414	566,874
Vehicles	1,278,151	3,220,415		0	4,498,566	594,460	255,630	0	850,091	3,648,475
Vehicles: Fire Engines	704,573	0		0	704,573	370,063	44,117	0	414,179	290,394
Vehicles: Graders	527,065	0		0	527,065	360,556	52,706	0	413,263	113,802
Vehicles: Mechanical Horses	202,733	0		0	202,733	162,186	20,273	0	182,460	20,273
Vehicles: Trucks/bakkies	13,629,967	0		0	13,629,967	5,786,957	2,419,284	0	8,206,242	5,423,726
Vehicles: Tractors	850,959	0		0	850,959	246,877	90,188	0	337,065	513,893
Workshop/Depots	1,253,512	68,446		0	1,321,958	90,813	41,784	0	132,597	1,189,362
	77,310,363	**10,037,471**	**801,411**	**0**	**88,149,245**	**26,716,274**	**6,319,930**	**0**	**33,036,204**	**55,113,041**
Total	**319,991,648**	**34,397,144**	**3,902,873**	**0**	**358,291,665**	**91,210,465**	**19,702,872**	**0**	**110,913,337**	**247,378,328**

APPENDIX C

OVERSTRAND MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost					Accumulated Depreciation				
	Opening Balance R	Additions R	Under Constuction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	Carrying Value R
Executive & Council	454,512	16,137		0	470,649	125,301	84,502	0	209,803	260,846
Finance & Admin	34,418,076	162,737	237,692	0	34,818,505	7,148,665	2,111,257	0	9,259,922	25,558,583
Planning & Development	256,548	0		0	256,548	168,862	138,328	0	307,190	-50,641
Health	567,522	0		0	567,522	255,128	104,484	0	359,612	207,911
Community & Social Services	7,043,766	1,593,956	250,330	0	8,888,051	670,307	633,590	0	1,303,897	7,584,155
Housing	17,316,994	3,455,315	563,719	0	21,336,028	9,176,411	602,227	0	9,778,638	11,557,390
Public Safety	2,633,741	773,443		0	3,407,184	1,065,775	604,005	0	1,669,780	1,737,404
Sport & Recreation	13,610,652	2,734,650		0	16,345,302	5,521,249	597,132	0	6,118,381	10,226,921
Environmental Protection	1,541,300	339,924		0	1,881,224	270,417	238,125	0	508,543	1,372,682
Waste Management	87,539,269	7,081,495	1,789,037	0	96,409,801	27,617,253	5,000,012	0	32,617,264	63,792,537
Road Transport	32,166,210	6,041,093	849,489	0	39,056,791	10,475,614	2,994,861	0	13,470,475	25,586,316
Water	63,573,664	3,708,123	212,606	0	67,494,393	15,590,501	3,387,949	0	18,978,450	48,515,943
Electricity	58,869,394	8,490,273		0	67,359,666	13,124,984	3,206,401	0	16,331,385	51,028,282
Total	**319,991,648**	**34,397,145**	**3,902,872**	**0**	**358,291,665**	**91,210,465**	**19,702,874**	**0**	**110,913,339**	**247,378,326**

APPENDIX D
OVERSTRAND MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R		2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R
13,898,751	19,629,011	-5,730,261	Executive & Council	677,643	1,805,039	-1,127,396
71,307,796	33,289,256	38,018,540	Finance & Admin	99,300,047	64,399,584	34,900,463
3,939,443	4,583,567	-644,123	Planning & Development	-7,255,293	14,999,516	-22,254,809
1,270,450	3,237,662	-1,967,211	Health	1,132,411	1,227,248	-94,837
335,319	4,305,649	-3,970,330	Community & Social Services	860,236	7,307,073	-6,446,837
13,169,509	15,656,963	-2,487,454	Housing	4,264,703	15,975,859	-11,711,155
331,803	3,962,141	-3,630,338	Public Safety	6,199,413	11,404,409	-5,204,997
3,830,583	8,404,050	-4,573,467	Sport & Recreation	860,236	7,311,072	-6,450,835
7,811,784	13,672,213	-5,860,429	Environmental Protection	12,927,817	16,071,497	-3,143,680
20,797,552	15,930,723	4,866,829	Solid Waste Management	24,257,222	22,993,883	1,263,340
21,395,599	18,428,444	2,967,155	Waste Management	24,257,222	23,570,597	686,626
8,311,862	18,066,558	-9,754,697	Road Transport	1,935,786	18,874,460	-16,938,674
34,015,624	23,605,016	10,410,608	Water	39,231,912	27,483,151	11,748,761
65,965,933	54,480,920	11,485,013	Electricity	71,380,852	63,092,929	8,287,922
266,382,007	**237,252,173**	**29,129,834**	Sub-Total	**280,030,208**	**296,516,315**	**-16,486,108**
0	-12,577,670	12,577,670	Less: Inter-departemental Charges	0	-45,225,659	45,225,659
266,382,007	**224,674,503**	**41,707,504**	**Total**	**280,030,208**	**251,290,656**	**28,739,551**

UNAUDITED: APPENDIX E(1)

OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual R	2006 Budget R	2006 Variance R	2006 Variance %	Explanation of Significant Variances Greater than 10% versus Budget
REVENUE					
Property rates	62,414,355	60,037,230	2,377,125	3.81	
Property rates - penalties imposed and collection cha	483,309	740,390	(257,081)	-53.19	Decrease due to write-off's previous year
Service charges	152,708,429	150,781,830	1,926,599	1.26	
Rental of facilities and equipment	5,015,792	4,621,300	394,492	7.87	
Interest earned - external investments	8,030,838	2,957,410	4,844,917	60.33	IMFO Budgetting - GAMAP/GRAP not fully implemented
Interest earned - outstanding debtors	1,270,799	1,811,000	(540,201)	-42.51	Decrease due to write-off's previous year
Dividends received	3,504	5,000	(1,496)	-42.69	Decrease due to write-off's previous year
Fines	2,879,543	2,915,860	(36,317)	-1.26	
Licences and permits	1,841,462	1,168,770	672,692	36.53	Kleinbaai slipway opened
Income from agency services	12,457,873	12,734,000	(276,127)	-2.22	
Government grants and subsidies	20,699,417	15,610,960	5,088,457	24.58	IMFO Budgetting - GAMAP/GRAP not fully implemented
Other income	8,045,638	6,114,040	1,931,598	24.01	Conservative Other Income budget
Public contributions, donated and contributed property, plant and equipment	3,538,641	150,040	3,388,601	95.76	IMFO Budgetting - GAMAP/GRAP not fully implemented
Gains on disposal of property, plant and equipment	640,609	-	640,609	100.00	IMFO Budgetting - GAMAP/GRAP not fully implemented
Total Revenue	**280,030,208**	**259,647,830**	**20,153,867**	**7.76**	
EXPENDITURE					
Employee related costs	80,469,030	86,201,245	(5,732,215)	-7.12	
Remuneration of Councillors	2,273,433	2,273,433	-	0.00	
Bad debts	3,500,000	3,500,000	-	0.00	
Collection costs	284,892	353,279	(68,387)	-24.00	Decrease due to write-off's previous year
Depreciation	19,577,261	19,941,200	(363,939)	-1.86	
Repairs and maintenance	19,878,301	21,780,462	(1,902,161)	-9.57	
Interest on borrowings	5,646,720	9,077,690	(3,430,970)	-60.76	External loans not taken up
Bulk purchases	34,106,609	34,197,700	(91,091)	-0.27	
Contracted services	4,993,359	5,559,749	(566,390)	-11.34	General valuation not carried out
Grants and subsidies paid	6,902,837	13,356,485	(6,453,648)	-93.49	Less Indigent Qualifiers
General expenses - other (including abnormal expens	73,658,214	60,036,447	13,621,767	18.49	IMFO Budgetting - GAMAP/GRAP not fully implemented
Total Expenditure	**251,290,656**	**256,277,690**	**(4,987,034)**	**-1.95**	
NET SURPLUS/(DEFICIT) FOR THE YEAR	**28,739,552**	**3,370,140**	**25,369,412**	**-752.77**	

UNAUDITED: APPENDIX E(2)
OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual R	2006 Budget R	2006 Variance R	2006 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Infrastructure					
Access control	-	-	-		
Car parks	-	-	-		
Fencing	41,237	40,000	1,237	3	
Footways	25,668	230,000	(204,332)	(89)	Reprioritisation of capital budget
Kerbing	136,502	160,000	(23,498)	(15)	Reprioritisation of capital budget
Load Control Equipment	-	-	-		
Mains electrical	6,938,050	7,870,000	(931,950)	(12)	Reprioritisation of capital budget
Mains water	-	-	-		
Meters electrical	-	-	-		
Meters water	-	-	-		
Motorways	4,905,814	5,170,000	(264,186)	(5)	
Outfall sewers	-	-	-		
Paving	410,079	538,000	(127,921)	(24)	Reprioritisation of capital budget
Purification works	-	-	-		
Rights - water	-	-	-		
Other roads	-	-	-		
Security system	-	2,000	(2,000)	(100)	Reprioritisation of capital budget
Road Signage	-	-	-		
Sewers	1,864,021	1,668,000	196,021	12	Reprioritisation of capital budget
Speed Control	-	-	-		
Sewerage pumps	-	-	-		
Street lighting	1,242,125	1,374,000	(131,875)	(10)	Reprioritisation of capital budget
Supply/reticulation Electric	285,296	273,000	12,296	5	
Supply/reticulation Water	1,717,800	3,594,000	(1,876,200)	(52)	Reprioritisation of capital budget
Stormwater drains	5,749,745	7,110,000	(1,360,255)	(19)	Reprioritisation of capital budget
Reservoirs & tanks	188,840	517,000	(328,160)	(63)	Reprioritisation of capital budget
Transformer kiosks	-	-	-		
Traffic lights	-	-	-		
	23,505,177	**28,546,000**	**(5,040,823)**	**(18)**	

UNAUDITED: APPENDIX E(2)
OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual R	2006 Budget R	2006 Variance R	2006 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Community Assets					
Beach development	246,215	243,000	3,215	1	
Care centres	383,164	432,500	(49,336)	(11)	Reprioritisation of capital budget
Cemeteries	50,000	50,000	-	-	
Community centres	655,770	684,730	(28,960)	(4)	
Fire stations	-	-	-		
Floodlighting	27,789	-	27,789		
Golf courses	-	-	-		
Clinics/hospitals	-	-	-		
Jukskei pitches	-	-	-		
Libraries	-	-	-		
Outdoor sports	2,027,971	2,074,000	(46,029)	(2)	
Parks	166,981	160,000	6,981	4	
Public conveniences	159,191	147,000	12,191	8	Reprioritisation of capital budget
Recreation centres	142,876	330,000	(187,124)	(57)	Reprioritisation of capital budget
Stadiums	-	-	-		
Swimming pools	-	-	-		
Tennis courts	-	-	-		
	3,859,959	**4,121,230**	**(261,271)**	**(6)**	
Heritage Assets					
Heritage buildings	95,999	100,000	3,215	1	
	95,999	**100,000**	**3,215**	**3**	

UNAUDITED: APPENDIX E(2)
OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual R	2006 Budget R	2006 Variance R	2006 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Other Assets					
Air conditioner	-	-	-		
Caravan Parks	-	-	-		
Computer hardware	246,442	250,000	(3,558)	(1)	
Compacting Stations	-	-	-		
Computer software	-	-	-		
Fire Equipment	-	-	-		
General plant	2,721,503	2,625,000	96,503	4	
Hostels - workers	-	-	-		
Household refuse	35,000	35,000	-	-	
Houses - municipal	-	-	-		
Housing schemes	4,019,034	4,606,152	(587,118)	(13)	Reprioritisation of capital budget
Irrigation systems	-	-	-		
Land	-	-	-		
Miscellaneous furniture	49,818	56,000	(6,182)	(11)	Reprioritisation of capital budget
Office building	362,196	524,000	(161,804)	(31)	Reprioritisation of capital budget
Office machines	-	170,000	(170,000)	(100)	Reprioritisation of capital budget
Other Land	-	-	-		
Radio equipment	-	-	-		
Telecommunication	-	-	-		
Tip sites	-	-	-		
Training Facilities	-	-	-		
Transport Facilities	116,028	116,028	-	-	
Vehicles	3,220,415	3,220,415	-	-	
Vehicles: Fire Engines	-	-	-		
Vehicles: Graders	-	-	-		
Vehicles: Mechanical Hors	-	-	-		
Vehicles: Trucks/bakkies	-	-	-		
Vehicles: Tractors	-	-	-		
Workshop/Depots	68,446	68,446	-	-	
	10,838,882	**11,671,041**	**(832,159)**	**(7)**	
Total	**38,300,018**	**44,338,271**	**(6,134,253)**	**(14)**	